

Cabinet

26 August 2025

Gateway 1 Project Commencement/Options Appraisal: Recycling Resource Management (RRM) procurement

Portfolio Holder: Councillor Simon Curry – Portfolio Holder for Climate Change and Strategic Regeneration

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Procurement Overview

Total Contract Value (estimated): £10.304 million

Regulated Procurement: Yes

Proposed Contract Term: 36 + 36 (72 - month total)

Summary

This report seeks permission to commence the procurement of the Recycling Resource Management (RRM) Contract.

1. Recommendation

- 1.1. The Cabinet is requested to agree to pursue the procurement of the Recycling Resource Management (RRM) contract as per the preferred option identified in paragraph 7.8.9 (Option 8 – Competitive Procurement).

2. Suggested reasons for decision

- 2.1. The decision to re-tender this contract is driven by the need to ensure the continued delivery of statutory services, as outlined in paragraph 6.2.
- 2.2. The preferred procurement route, detailed in paragraph 7.8.9 (Option 8 – Competitive Procurement), has been selected to ensure compliance with legal obligations, encourage market engagement, and provide access to the full supplier market. A competitive tendering process is expected to incentivise suppliers to submit proposals that offer both value and innovation.

- 2.3. The chosen procurement procedure, as set out in paragraph 7.8.9.1 (Open Single-Stage Procedure), is considered the most appropriate for this contract. The clearly defined service requirements make this approach straightforward to manage, while also enabling Medway to retain full control over the procurement process. This method supports transparency, fairness, and adherence to all relevant legal and regulatory standards.

3. Budget and Policy Framework

- 3.1. This Cabinet report is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council Obligations and Departmental/Directorate service plans.

4. Background Information and Procurement Deliverables

4.1. Background Information

- 4.1.1. The RRM contract was initially procured through an open tender process, divided into two lots to encourage market competition as follows:
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- 4.1.2. Lot 1 – Provision of a waste transfer station and haulage to disposal points for contract waste as follows:
 - 4.1.2.1. Kerbside collected mixed dry recycling (white/clear bag)
 - 4.1.2.2. Kerbside collected paper and card (blue bag)
 - 4.1.2.3. Kerbside collected food and garden waste – transfer only (brown bag/bin/caddy)
 - 4.1.2.4. Ancillary materials.
- 4.1.3. Lot 2 – Provision of treatment facilities and disposal points for contract waste as detailed in section 4.1.2.
- 4.1.4. Cabinet Decision 82/2022 awarded both lots to Veolia Environmental Services, with the contract commencing on 1 October 2022 for a duration of two years.
- 4.1.5. Subsequently, Cabinet Decision 57/2024 approved the option to extend the contract for an additional two years, up to 30 September 2026.
- 4.1.6. It is estimated that the RRM contract will process 156K tonnes of recycling over the duration of the current contract.
- 4.1.7. This contract has no further extension options built in, and it has now become necessary to identify a solution to ensure the continued provision of statutory services provided through this contract.
- 4.1.8. This Gateway 1 report will recommend a procurement strategy to ensure a solution is in place by 1 October 2026 for a period of up to

three years with the option to extend for a further three years on a 1+1+1 basis.

- 4.1.9. The proposed three-year contract, with an option to extend for a further three years, is designed to provide continuity and stability during the period of Local Government Reform (LGR) and the implementation of Medway's Waste and Resource Strategy.

4.2. Procurement Deliverables

- 4.2.1. As part of the successful delivery of this procurement requirement, the following procurement project outputs / outcomes within the table below have been identified as key and will be monitored as part of the procurement project delivery process.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?
Secure a replacement contract to manage the services currently covered under the RRM contract.	The successful implementation of a contract for 1 October 2026.	Waste Disposal Team	Quarterly service monitoring and FLS program board

5. Parent Company Guarantee/Performance Bond Required

- 5.1. Due to time complications and subsequent clarifications with this market obtaining a PCG previously and in turn the tangible benefit it had to the contract, it is proposed that the requirement for a PCG and Bond is waived.

6. Procurement Dependencies and Obligations

6.1. Project Dependency

- 6.1.1. The RRM contract directly impacts Medway's kerbside recycling collection service as the disposal point handling an average of 39K tonnes of recycling per annum.
- 6.1.2. Regardless of the procurement route taken, the Council must have a solution in place by 1st October 2026 that meets our statutory obligations, climate change objectives and gives the best financial value for money.

6.2. Statutory/Legal Obligations

- 6.2.1. Medway Council's statutory duties relevant to this procurement are outlined below. These obligations form the legal framework within which the Council must operate its waste collection, disposal, and recycling services:
- 6.2.2. Medway Council, as the waste collection and disposal authority, has a statutory duty under the Environmental Protection Act 1990 to collect household waste from all residential properties.
- 6.2.3. The Council must manage waste in accordance with the waste hierarchy, prioritising prevention, followed by reuse, recycling, recovery, and disposal, as required by the Waste (England and Wales) Regulations 2011.
- 6.2.4. Under the Landfill Directive (1999/31/EC), the Council is obligated to reduce the volume of waste sent to landfill and maximise recycling and recovery.
- 6.2.5. The Environment Act 2021 introduces legally binding targets to reduce residual waste, eliminate biodegradable municipal waste to landfill, and increase recycling rates.
- 6.2.6. The Extended Producer Responsibility (EPR) for Packaging, effective from 2025, requires producers to cover the full net cost of managing packaging waste. Local authorities must ensure accurate reporting and efficient collection systems to receive payments.
- 6.2.7. The Simpler Recycling reforms mandate consistent recycling collections across England, including food waste, to improve recycling rates and reduce contamination.
- 6.2.8. The UK Emissions Trading Scheme (ETS) is set to expand to include waste incineration and energy-from-waste (EfW) facilities from 2028. While the direct compliance obligations will fall on facility operators, the financial and operational impacts are expected to be passed on to local authorities as primary customers. To mitigate these impacts, Medway Council will need to reduce the fossil-derived content of residual waste streams—such as plastics—by increasing diversion to recycling and reuse. This will help minimise exposure to carbon pricing and support compliance with broader decarbonisation targets.

6.3. Procurement Project Management

- 6.3.1. The management of this procurement process will be the responsibility of the Category Management team.

6.4. Post Procurement Contract Management

- 6.4.1. The management of any subsequent contract will be the responsibility of Natasha Spencer-Jones – Waste Disposal Manager.

6.4.2. To ensure the needs of the requirement are met and continuously fulfilled post award, the following KPIs that support the delivery of the project outcomes as outlined in 4.2.1 will be included in the tender and will form part of any subsequent contract.

Title	Short Description	%/measurement criteria
KPI1	Failure to deliver the relevant reports and data provision within the required timescales, in accordance with the specification.	Monthly measurement – Pass/Fail
KPI2	Failure to implement the requirements of the Input Composition Sampling for sampling of Contract Materials upon receipt, in any Contract Month during the Term.	Monthly measurement – Pass/Fail
KPI3	Failure to accept contract waste that is delivered by or on behalf of the authority.	Monthly measurement – Pass/Fail
KPI4	Failure to recycle materials which have been delivered by or on behalf of the authority.	Monthly measurement – Pass/Fail
KPI5	Failure to implement suitable contingency arrangements to provide continuous delivery of the services in accordance with the specification.	Monthly measurement – Pass/Fail
KPI6	Failure to achieve a turnaround time for the unloading of contract waste from delivery vehicles of 60 minutes, measured weighbridge to weighbridge.	Monthly % of contract waste delivery vehicles: ≥ 90% - Excellent 80–89% - Good 75–79% - Acceptable < 75% - Fail
KPI7	Failure to provide annual review of waste contracts report in accordance with the specification.	Pass/Fail

6.4.3. The KPIs as denoted within paragraph 6.4.2 will be monitored on a monthly basis. Those not performing will be reported to the next available Regeneration, Culture, Environment and Transformation Departmental Management Team meeting for discussion and agreed remedial action.

7. Market Conditions and Procurement Approach

7.1. Market Conditions

7.1.1. Since the previous procurement of this contract, market conditions have remained largely unchanged. Ongoing volatility in waste commodity markets continues to make contractors reluctant to share

financial risk. This has been a persistent issue for several years and is unlikely to change in the future.

7.1.2. This procurement also coincides with two significant uncertainties that will shape the future of waste disposal services: the development of the Council's new Waste and Resource Strategy, and the anticipated Local Government Reorganisation (LGR).

7.1.3. In view of these factors, we have reviewed current market conditions and procurement approach as they relate specifically to this contract below.

7.2. Medway waste strategy

7.2.1. During the term of the new RRM, the Council will undertake a comprehensive review of Medway's waste management services, known as the 'Waste Improvement Plan'. This initiative will include the development of a new Waste and Resource Strategy, aimed at delivering a high-quality, cost-effective service that aligns with Council priorities and responds effectively to national waste reform initiatives.

7.2.2. Once adopted, the strategy will guide the future direction of waste disposal contracts, including the RRM contract. However, the specific objectives and service model outlined in the strategy will not be known until 2026/27.

7.2.3. This procurement is intended as a short-term arrangement to bridge the gap during the implementation of the Waste Improvement Plan and the development of the new Waste and Resource Strategy. Entering into a long-term contract at this stage would pose a significant risk of misalignment with the forthcoming strategy, potentially committing the Council to a service model that may not support its future objectives.

7.3. Local Government Reorganisation

7.3.1. The planned reorganisation of local government in Kent is expected to result in the creation of multiple new unitary authorities by approximately 2027/28. These new authorities will assume responsibility for a wide range of services, including waste management, and will need to consolidate existing service contracts across their respective areas.

7.3.2. This procurement is intended as a short-term arrangement to bridge the LGR transition period. Entering into a long-term contract at this stage would pose a significant risk of misalignment with the future operating model of the new unitary authorities, potentially locking the Council into a service structure that does not meet the needs or strategic direction of the reorganised authority.

7.4. Transfer station

- 7.4.1. For clarity, a transfer station is a critical component of waste infrastructure. It serves as an intermediate facility where waste is delivered by collection vehicles before being transported to treatment or disposal sites. As such, the location of this facility is a key operational consideration in this procurement.
- 7.4.2. Medway's requirement for a locally based transfer station is essential to maintaining a reliable and cost-efficient waste operation. Locating the facility within Medway minimises travel time for collection vehicles, which in turn helps to control fuel costs and improves service efficiency through quicker turnaround times.
- 7.4.3. Given this requirement, the tender is not expected to generate significant market interest due to the limited pool of local suppliers capable of meeting the specification.

7.5. Contract length

- 7.5.1. This procurement is intended as a short-term bridging arrangement to support the Council through a period of significant change, including the implementation of the Waste Improvement Plan, the development of the Waste and Resource Strategy, and Local Government Reform.
- 7.5.2. Entering into a long-term contractual commitment at this stage is not advisable. Instead, it is proposed that the contract be awarded as a three-year fixed-term agreement (from 1 October 2026 to 30 September 2029), with the option to extend for up to a further three years on a 1+1+1 basis. This structure provides the flexibility needed to respond to any delays or adjustments arising from strategic developments.
- 7.5.3. A key risk of committing to a long-term contract now is the potential misalignment with future service requirements. As the Waste Improvement Plan and associated strategies evolve, a prematurely fixed service model could restrict the Council's ability to adapt, potentially resulting in inefficiencies or missed opportunities to improve service delivery.

7.6. Lotting

- 7.6.1. As this procurement is intended as a short-term bridging arrangement to support the Council through a period of significant change, it is proposed that the contract be structured as a single lot.
- 7.6.2. Adopting a single-lot approach simplifies the procurement process, reduces administrative burden, and supports continuity of service during this transitional period. It also ensures a more streamlined mobilisation and contract management process, which is particularly important given the short-term nature of the arrangement.

7.7. Risk Share

- 7.7.1. Under the current contract, Medway Council receives income from the sale of recyclable commodities, with payments based on prevailing market values. This results in an income offset against the total contract cost.
- 7.7.2. The financial risk associated with fluctuations in commodity markets is currently shared between Medway Council and the contractor on an 80/20 basis, with the Council bearing the larger share.
- 7.7.3. Previous market engagement has confirmed that providers are unwilling to assume full responsibility for commodity market volatility. However, there is a willingness to share some of the risk, provided the Council continues to absorb the majority.
- 7.7.4. It is proposed that the existing 80/20 risk-sharing model be retained in the new contract. This approach mirrors current arrangements and remains within the existing revenue budget.

7.8. Procurement Options

- 7.8.1. The following is a detailed list of options considered and analysed for this report:
- 7.8.2. **Option 1 – Do nothing:** This option is not viable. The Council is obliged to take action as it is essential that the Medway kerbside collection service has a treatment route for recycling that meets our statutory obligations, climate change objectives and gives the best financial value for money.
- 7.8.3. **Option 2 – Insource services:** This option is not viable. Medway Council do not currently have the infrastructure requirements to in-source this service.
- 7.8.4. **Option 3 – Utilise an existing Council owned company:** This option is not viable. Medway Norse do not currently have the infrastructure requirements to deliver this service locally.
- 7.8.5. **Option 4 – Modify an existing contract:** This option is viable but carries significant risk. The current contract is set to expire on 30 September 2026, with no further formal extension provisions included. As a result, any extension would require the use of a Voluntary Ex-Ante Transparency (VEAT) Notice. Issuing a VEAT notice in this case would be among the first under the new public procurement regulations, increasing the likelihood of legal challenge. If such a challenge were successful, a full procurement process would be required, posing substantial risks to service continuity.
- 7.8.6. **Option 5 – Use an internal framework:** This option is not viable as an internal framework for this service does not exist.

- 7.8.7. **Option 6 – Use an external framework:** This option is not viable as an internal framework for this service does not exist.
- 7.8.8. **Option 7 – Partner with another public body:** This option is not viable. Engagement with Kent County Council (KCC) has confirmed that their current contracts and service delivery model do not fully align with the requirements of the Recycling Resource Management contract. Entering into a partnership under these circumstances would likely necessitate additional procurement activity to cover the remaining service elements, potentially resulting in a less effective overall service delivery model. Furthermore, disaggregating elements of the existing contract could render the remaining components economically unviable, thereby placing the delivery of statutory services at risk.
- 7.8.9. **Option 8 - Competitive procurement:** This option is viable. Pursuing a competitive procurement process ensures compliance with legal requirements, promotes market engagement, and provides access to the full supplier market. Sufficient time remains within the project timeline to conduct a tendering exercise. To enhance efficiency this procurement will adopt a single-lot structure, replacing the previous two-lot format which proved ineffective in fostering competition. Competitive tendering also incentivises suppliers to submit value-driven proposals. However, it is important to note that this procurement process may attract only a single bid from the incumbent provider, limiting the benefits of open competition.
- 7.8.9.1. **Open (single stage) Procedure:** The Open Procedure is well-suited to this procurement, given its clearly defined requirements, which make the process straightforward to manage. This approach enables Medway to maintain full control over the procurement activity, ensuring transparency, fairness, and compliance with legal obligations. However, a key limitation is the likelihood of receiving only a single bid, due to the specific transfer station requirements. It is already recognised that this procurement is unlikely to attract broad market interest, which may limit the competitive benefits typically associated with this procedure.
- 7.8.9.2. **Competitive Flexible (multi-stage) Procedure:** Given that the requirements for this contract are clearly defined, the Competitive Flexible Procedure is not considered appropriate. This procedure is best suited to procurements where dialogue with suppliers is necessary to shape the scope or delivery model—which is not the case here. In this instance, the specification for service delivery is already well established, and there is limited benefit in engaging multiple suppliers. Due to the limited pool of local suppliers capable of delivering the required services, the advantages typically associated with a flexible, multi-stage process are unlikely to be realised.
- 7.9. Contractual synergies
- 7.9.1. There are no contractual synergies within the organisation for this service.

7.9.2. There may be opportunities in the future to create contractual synergies, for example, by incorporating services from other departments such as facilities management or schools, particularly for the disposal of mixed dry recyclables. However, current arrangements within these departments typically include collection services, which fall outside the scope of this contract. As such, any integration would require further discussion and alignment at the point when those services are due for renewal, to assess how they might be incorporated into the broader waste management strategy and delivery model.

7.10. Advice and analysis

7.10.1. It is recommended that the Cabinet approves option 8 - Competitive procurement – through the Open (single stage) procedure.

7.10.2. This route is the most appropriate given the clearly defined service requirements, offering a legally compliant, transparent, and efficient process. It allows Medway to retain full control over the procurement while minimising complexity and resource demands. Although market competition is expected to be limited due to limited number of local suppliers able to deliver these services, the Open Procedure ensures the opportunity is publicly advertised, maintaining fairness and reducing the risk of legal challenge.

7.10.3. It is recommended that the contract length be a 36-month term with the option to extend for up to 36 months by mutual agreement.

7.11. Evaluation Criteria

7.11.1. Whilst not finalised at this stage, officers propose to evaluate bidders against the following quality criteria within the tender.

Question	Weighting (%)	Purpose
Social Value	10%	To assess how a supplier will contribute to broader social, economic, and environmental outcomes for Medway beyond the core contract requirements.
Quality	40%	To evaluate how well a supplier can meet the technical and service requirements of the contract.
Price	50%	To assess the cost-effectiveness of the bid and ensure value for money.
Total	100%	

8. Risk Management

8.1. The significant risks as they relate to this procurement are detailed in the table below.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Reputational	Failure to secure a contract leading to Medway Council being unable to deliver the statutory recycling services.	As outlined in this report, allowing the current contract to lapse without replacement is not a viable option. The procurement actions detailed herein are designed to ensure a timely and compliant solution is secured to maintain delivery of statutory recycling services. In the event that a suitable contract cannot be awarded through the open market, contingency measures available through established procurement procedures will be activated to safeguard service continuity.	D IV
Legal	Risk of legal challenge.	Full compliance with public procurement regulations and internal governance procedures will be maintained throughout the tender process. Legal and procurement specialists have been engaged early to review key documents and decisions. Bidders to be provided with timely, consistent communication and feedback to reduce the likelihood of disputes.	C III
Financial	Cost escalation or budget overrun due to market volatility.	The current contracts costs are linked to recognised market indices, providing transparency and ensuring that market volatility is already accounted for within the financial modelling. The new contract will adopt a similar structure, acknowledging that prospective contractors are unlikely to accept significant financial risk. All costs will be subject to regular monitoring against financial forecasts throughout the contract lifecycle. This will ensure early identification of any variances and enable timely corrective action, supporting effective budget management and financial accountability.	C III

Risk	Description	Action to avoid or mitigate risk	Risk rating
Climate Change	Failure to meet Medway Council's climate change objectives.	Clear and measurable environmental requirements will be embedded within the tender specification which are aligned with the Council's climate action plan. Environmental performance will be monitored through contract KPIs and require regular reporting on carbon impact and mitigation efforts.	D III
Service Delivery	Disruption to service delivery due to delays in contract mobilisation, supplier underperformance, or failure to meet operational requirements.	Through this procurement, a detailed mobilisation plan with clear milestones, responsibilities, and performance expectations will be developed. Include robust service delivery requirements and KPIs in the contract, with provisions for performance monitoring and escalation. Conduct due diligence on the supplier's capacity and track record during evaluation. Establish regular contract management meetings from the outset to ensure early identification and resolution of any delivery issues.	C II

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

9. Consultation

- 9.1. A range of internal stakeholders have been consulted during the development of this procurement project, including the Waste Services Contract Management Team, Portfolio Holder, Senior Management Team, Category Management, Legal Services, Finance, and the Climate Change Team. Their input has informed both the procurement strategy and the development of this report.
- 9.2. External stakeholder consultation is not required for this procurement.

10. Service Implications

10.1. Financial Implications

- 10.2. The procurement requirement and its associated delivery as per the recommendations will be funded from existing revenue budgets. There is no pressure currently being forecast in the 2025/26 budget monitoring.

10.3. Legal Implications

- 10.4. The provision of waste collection services is a statutory function of the Council and therefore the Council has a duty to ensure that the service is provided to all residents within the area.

- 10.5. This contract will be procured in accordance with the Procurement Act 2023 and its associated regulations. As such, the procurement process must adhere to the principles of transparency, equal treatment, and value for money, while also ensuring compliance with the new requirements for competitive tendering, publication of notices on the central digital platform, and alignment with the National Procurement Policy Statement.

10.6. TUPE Implications

- 10.7. The current provider of these contracted services owns the facility from which the services are delivered and employs staff who are dedicated to the operation of the contract.
- 10.8. In the event that an alternative provider is awarded the contract and delivers the services from a different location, the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) are likely to apply. This would constitute a service provision change, meaning that eligible staff currently assigned to the contract would have the right to transfer to the new provider under their existing terms and conditions.
- 10.9. Accordingly, the tender documentation for this procurement will include a statement advising that TUPE may apply, and that bidders are

responsible for conducting their own due diligence in relation to any potential staff transfers.

10.10. Procurement Implications

10.11. The proposed open competitive tender supports the new procurement regulations and is the most appropriate route to market. The transition from a lotted to a single contract as well as the maintained stance on risk share seems appropriate to market conditions.

10.12. ICT Implications

10.13. There are no ICT implications that apply to this contract procurement.

10.14. Climate Change implications

10.15. The current RRM contract aligns with the waste management hierarchy which prioritises waste prevention, reuse and recycling over disposal. The recycling contract reduces the volume of waste sent to landfill which lowers methane emissions, a potent greenhouse gas, thereby contributing to climate change mitigation. This in turn supports the aims of the Council's Climate Change Action Plan.

10.16. Climate considerations are embedded in the existing contract and will continue to be a requirement in the next contract, ensuring contractor accountability for carbon reduction in alignment with the Council's Climate Change Action Plan.

11. Social, Economic & Environmental Considerations

11.1. In line with Medway Council's Social Value Policy, officers will include the following standard outcomes and measures (the units have also been included for illustrative purposes) within the tender. Whilst there will be no commitment for bidders to deliver against every line, the accumulative value provided by each bidder will be scored and form part of the price evaluation score.

11.2. The Social Value commitment from the winning bidder will be transposed into contractual KPIs.

Outcomes	Measures	Standard Units
More local people in employment	No. of local direct employees (FTE) hired or retained (for re-tendered contracts) on contract for one year or the whole duration of the contract, whichever is shorter	No. people FTE
More local people in employment	Percentage of local employees (FTE) on contract	%

Outcomes	Measures	Standard Units
Improved skills	No. of staff hours spent on local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (including preparation time)	No. staff hours
Improved skills	No. of weeks of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation until completion in the following years - Level 2,3, or 4+	No. weeks
More opportunities for local MSMEs and VCSEs	Total amount (£) spent in LOCAL supply chain through the contract	£
More opportunities for local MSMEs and VCSEs	Meet the buyer' events held to highlight local supply chain opportunities	£ invested including staff time
Social Value embedded in the supply chain	Percentage of contracts with the supply chain on which Social Value commitments, measurement and monitoring are required	%
Creating a healthier community	Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc.) or wellbeing initiatives in the community, including physical activities for adults and children	£ invested including staff time
Carbon emissions are reduced	Savings in CO2 emissions on contract achieved through de-carbonisation (specify how these are to be achieved)	Tonnes CO2e
Sustainable Procurement is promoted	Percentage of procurement contracts that includes sustainable procurement commitments or other relevant requirements and certifications (e.g. to use local produce, reduce food waste, and keep resources in circulation longer.)	% of contracts
Social innovation to create local skills and employment	Innovative measures to promote local skills and employment to be delivered on the contract - these could be e.g. co-designed with stakeholders or communities, or aiming at delivering benefits while minimising carbon footprint from initiatives, etc.	£ invested - including staff time and materials, equipment or other resources

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Appendices

None.

Background Papers

None.